

Timothy J.  Otte CPA, PC

JUNIOR ACHIEVEMENT OF SOUTHWESTERN INDIANA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017

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Junior Achievement of Southwestern Indiana, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Junior Achievement of Southwestern Indiana, Inc.

We have audited the accompanying statements of financial position of Junior Achievement of Southwestern Indiana, Inc. (a nonprofit organization) as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Southwestern Indiana, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Junior Achievement of Southwestern Indiana, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Timothy J Olt CPA PC
Evansville, IN
September 22, 2017

Junior Achievement of Southwestern Indiana, Inc.
Statement of Financial Position
As of June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 416,090	\$ 201,774
Certificates of Deposits	50,272	50,264
Accounts Receivable- Deferred Revenue	39,500	28,020
Pledges Receivable	453,813	567,457
Prepaid Expenses	6,137	1,124
Inventory(Cost)	12,977	17,741
Total Current Assets	978,788	866,380
Long Term Assets		
Investments	182,087	273,818
Certificates of Deposits	24,741	80,135
Fixed Assets		
Office Furniture and Equipment	233,031	239,698
Less: Accumulated Depreciation	(90,498)	(82,027)
Total Fixed Assets	142,534	157,672
Total Long Term Assets	349,362	511,625
Total Assets	\$ 1,328,149	\$ 1,378,005
LIABILITIES & NET ASSETS		
Current Liabilities		
Accrued Expenses	\$ 39,378	\$ 32,822
Deferred Revenue	69,420	39,320
Total Current Liabilities	108,798	72,142
Net Assets		
Unrestricted Net Assets	413,764	412,306
Board Designated Net Assets	120,762	111,483
Total Unrestricted Net Assets	534,526	523,789
Temporarily Restricted	684,825	782,074
Total Net Assets	1,219,351	1,305,863
Total Liabilities and Net Assets	\$ 1,328,149	\$ 1,378,005

See notes to financial statements

Junior Achievement of Southwestern Indiana, Inc.
Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
PUBLIC SUPPORT AND REVENUE				
Contributions:				
Corporate	\$ 224,241	\$ 28,825	\$ 253,066	\$ 751,252
Individual	18,193	-	18,193	183,532
Foundations	96,886	7,400	104,286	146,699
Total Contributions	<u>339,321</u>	<u>36,225</u>	<u>375,546</u>	<u>1,081,482</u>
Special Event- Hall of Fame- Evansville (Less In-kind)	132,000	-	132,000	111,973
Special Event- Hall of Fame- Dubois	52,400	-	52,400	45,920
Special Event- Counties	8,619	-	8,619	-
Special Event- Golf Outing	120,725	-	120,725	124,823
Golf Raffle	15,300	-	15,300	16,360
Gibson Auction	-	-	-	2,417
Investment Income	9,240	-	9,240	10,367
Realized Gains and (Losses)	(6)	-	(6)	138
Unrealized Gains and (Losses)	1,962	-	1,962	(8,387)
In-Kind Contributions	16,016	-	16,016	22,846
Board Events- net	698	-	698	3,565
Other Income	3,596	-	3,596	312
Net Assets released from restrictions	133,474	(133,474)	-	-
Total Public Support and Revenue	<u>833,344</u>	<u>(97,249)</u>	<u>736,096</u>	<u>\$ 1,411,816</u>
EXPENSES				
Program Services	591,451	-	591,451	585,189
Fundraising	145,704	-	145,704	158,430
Management and General	85,453	-	85,453	83,068
Total Expenses	<u>822,608</u>	<u>-</u>	<u>822,608</u>	<u>826,687</u>
CHANGE IN NET ASSETS	10,737	(97,249)	(86,512)	585,129
NET ASSETS- beginning of year	<u>523,789</u>	<u>782,074</u>	<u>1,305,863</u>	<u>720,735</u>
NET ASSETS- end of year	<u>\$ 534,526</u>	<u>\$ 684,825</u>	<u>\$ 1,219,351</u>	<u>\$ 1,305,863</u>

See notes to financial statements

Junior Achievement of Southwestern Indiana, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
PROGRAM SERVICES		
Direct Costs:		
Program Expenses	\$ 98,165	\$ 88,990
Bad Debts	21,310	180
Franchise Fees	31,866	33,043
Insurance	5,713	6,111
Travel	14,262	17,267
Training & Conferences	11,062	12,520
Recognition and Award Costs	1,415	1,024
Recruiting	336	217
Volunteer Expense	344	576
Inspiring Youth	5,419	29,190
Scholarships	1,000	1,500
	<u>190,892</u>	<u>190,617</u>
Allocated Costs:		
Salaries	268,817	290,821
Payroll Taxes	20,758	22,020
Other Allocated Management & General	110,984	81,731
	<u>400,559</u>	<u>394,572</u>
Total Program Services	<u>591,451</u>	<u>585,189</u>
FUNDRAISING		
Direct Costs:		
Special Events	97,637	116,896
Allocated Costs:		
Salaries	32,258	30,613
Payroll Taxes	2,491	2,318
Other Allocated Management & General	13,318	8,603
	<u>48,067</u>	<u>41,534</u>
Total Fundraising	<u>145,704</u>	<u>158,430</u>
MANAGEMENT AND GENERAL		
Salaries	358,423	382,659
Payroll Taxes	27,677	28,973
Rent	23,419	21,102
Insurance	29,897	26,168
Telephone	5,458	5,745
Office Expense	13,707	6,533
Postage	2,995	3,978
Dues and Subscriptions	1,767	3,170
Outside Services	8,318	8,152
Public Relations	3,364	5,668
Professional Fees	24,854	5,457
Retirement	6,918	8,159
Utilities	5,778	5,472
Depreciation	19,436	7,599
Miscellaneous	2,068	337
Subtotal	<u>534,078</u>	<u>519,174</u>
Less: Allocated to Program Services	(400,559)	(394,572)
Less: Allocated to Fundraising	(48,067)	(41,534)
Total Management and General	<u>85,453</u>	<u>83,068</u>
	<u>\$ 822,608</u>	<u>\$ 826,687</u>

See notes to financial statements

Junior Achievement of Southwestern Indiana, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (86,512)	\$ 585,128
Adjustments to Reconcile Increase (Decrease) in Net Assets to net cash provided by operating activities:		
Depreciation	19,436	7,599
Miscellaneous Adjustments		
Realized and Unrealized (gains) or losses on Investments	(1,956)	8,249
(Increase) Decrease in Operating Assets:	617	-
Accounts Receivable	(11,480)	-
Pledges Receivable	113,644	(386,130)
Prepaid Expenses	(5,013)	1,512
Inventory	4,764	(6,715)
Increase (Decrease) in Operating Liabilities:		
Accrued Expenses	6,556	19,874
Deferred Revenue	30,100	(20,331)
Net Cash Provided (Used) by Operating Activities	70,155	209,187
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(4,920)	(145,561)
Purchase of Investments	-	(186,396)
Proceeds from Sales of Investments	149,080	135,015
Net Cash Provided (Used) by Investing Activities	144,160	(196,942)
Net Increase (Decrease) in Cash	214,315	12,245
Cash- beginning of year	201,774	189,530
Cash- end of year	\$ 416,090	\$ 201,774
Supplemental Cash Disclosures:		
Donated materials and services	\$ 16,016	\$ 22,846

See notes to financial Statements

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission

Junior Achievement of Southwestern Indiana, Inc. is a non-profit organization dedicated to educating elementary school, middle school and high school students about the free enterprise system. The Organization's primary support is primarily from the contributions of businesses and individuals.

Basis of Accounting

The financial statements of Junior Achievement of Southwestern Indiana, Inc. are prepared on the accrual basis, where revenues are recognized when earned and expenditures are recognized when incurred.

Basis of Presentation

Financial presentation follows the U.S. generally accepted accounting principles promulgated by the Financial Accounting Standards Board. Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted assets, temporarily restricted assets, and permanently restricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Pledges Receivable

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional gifts expected to be collected within one year are reported as their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows unless considered immaterial. The resulting discount is amortized using straight line method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

A provision for doubtful pledges receivable has not been established as management considers all accounts to be collectible. Management closely monitors outstanding balances throughout the year and writes off to bad debts all balances that are considered uncollectible.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities.

Income Tax Status

The Organization is recognized as a non-profit organization, under Section 501(c)(3) of the Internal Revenue Code, by both federal and state taxing authorities and is exempt from income taxes. The Organization has been determined to not be a private foundation. The Organization is not aware of any activities that would jeopardize its tax exempt status.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 Inputs- Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs- Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs- Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

Inventory

Inventory consists of program supplies and is stated at the lower of cost, (determined by the first-in, first-out method), or market.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Deferred Revenue

Sponsorships and fees received in advance for future events are recorded as deferred revenue. Recognition of revenue occurs when the event takes place.

Equipment and Depreciation

Equipment is carried at cost, if purchased, or fair market value, if donated. Expenditures for equipment costing in excess of \$500 or that materially increase the estimated useful life of assets are capitalized. Maintenance and repairs are charged to expense as incurred. Gains or losses on the disposition of property are recognized. Proceeds from the disposition of property are transferred to the current unrestricted fund unless restricted by the donor of the property. Depreciation is computed on the straight-line method based on estimated useful lives ranging from 5-15 years. Depreciation expense for the years ended June 30, 2017 and 2016 were \$19,436 and \$7,599, respectively.

Concentration of Support and Revenue Sources

Support and revenue from two special events represent 34% and 17% of total support and revenue for the years ended June 30, 2017 and 2016, respectively. The current level of the Organization's operations and program services could potentially be financially impacted without funding from these special events.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in the total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE 2- INVESTMENTS

Investment securities are stated at fair value using observable inputs (Level 1 inputs) and consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Fixed Income	\$ 68,406	\$ 165,850
Equities	<u>113,681</u>	<u>107,968</u>
	<u>\$ 182,087</u>	<u>\$ 273,818</u>

	<u>2017</u>	<u>2016</u>
Investment return is summarized as follows:		
Interest and Dividend income (including cash balances and certificates of deposits)	\$ 9,240	\$10,367
Net realized and unrealized gains (losses)	<u>1,962</u>	<u>(8,387)</u>
Total unrestricted investment income	<u>\$11,202</u>	<u>\$ 1,980</u>

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE 3- DONATED EQUIPMENT AND SERVICES

Various items and services have been donated to the Organization and are recorded at their estimated fair value at the date of the donation. The value of these items for the year ended June 30, 2017 and 2016 were \$16,016 and \$22,846, respectively.

The Organization receives donated services from a variety of unpaid volunteers to assist in the programs of Junior Achievement. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied.

NOTE 4 – FUNCTIONAL EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been estimated and allocated among the programs and supporting services.

NOTE 5- RETIREMENT PLAN

The Organization has established a (SIMPLE IRA) retirement plan. Under the plan, employees may contribute up to \$12,500 (\$15,500 for employees who will be at least fifty by the end of the year) of their pre-tax compensation and the Organization will match up to 3% of each participating employee's pretax contribution. Plan expenses incurred for the years ended June 30, 2017 and 2016 were \$6,918 and \$8,159, respectively.

NOTE 6- LEASE COMMITMENTS

On August 1, 2012, the Organization entered into a sixty-month lease beginning November 1, 2012 to lease office space. On May 30, 2017, the Organization elected to extend the initial term of the lease for an additional five year period beginning November 1, 2017 and ending October 31, 2022. Total rent expense for the years ended June 30, 2017 and 2016 were \$23,419 and \$20,582, respectively. Future minimum annual lease payments are as follows:

Years Ending June 30,	
2018	26,879
2019	28,095
2020	28,095
2021	28,095
2022	28,095
Thereafter	<u>9,365</u>
	<u>\$148,624</u>

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE 7 – RISKS AND UNCERTAINTIES

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents. At times, such cash and cash equivalents in banks may be in excess of the FDIC insurance limit. Credit risk with respect to cash and cash equivalents is minimized by using high-credit quality financial institutions.

The Organization invests or holds a variety of investment vehicles, including mutual funds and corporate bonds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Organization's investments, which could materially affect amounts reported in the financial statements.

NOTE 8 – DEFERRED REVENUE

Deferred revenue when invoiced is recorded as accounts receivable and an offsetting entry to deferred revenue. For the years ended June 30, 2017 and 2016, \$39,500 and \$28,020 was outstanding, respectively. Deferred revenue consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Fundraising Events	\$ 52,720	\$ 31,820
Programs & Activities	<u>16,700</u>	<u>7,500</u>
	<u>\$ 69,420</u>	<u>\$ 39,320</u>

NOTE 9- PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 138,238	\$ 199,373
Due in one to five years	<u>315,574</u>	<u>368,084</u>
	<u>\$ 453,812</u>	<u>\$ 567,457</u>

No pledges due in one to five years were recorded at present value because of immateriality.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE 10- ENDOWMENT FUND

As of June 30, 2017, the Board of Directors has designated \$120,762 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization has a spending policy of appropriating 4% of the average of the prior three December 31 (year-end) balances, calculated on January 1 and available for distribution immediately following calculation upon the board's discretion. A distribution left in the endowment will be considered part of the corpus of the endowment and not be available for distribution at a later date.

To achieve this objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which included equities and fixed income securities, that, is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% while still growing the fund.

Composition of and changes in endowment net assets for the year ended June 30, 2017 are as follows:

Board –designated endowment net assets, beginning of year	\$ 111,483
Investments	0
Investment Income	3,566
Unrealized Gains or (Losses)	<u>5,713</u>
Board Designated endowment net assets, end of year	<u>\$ 120,762</u>

NOTE 11- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, consisted of the following:

	<u>2017</u>	<u>2016</u>
Inspiring Youth	\$ 607,155	\$ 686,824
Programs	<u>77,670</u>	<u>95,250</u>
	<u>\$ 684,825</u>	<u>\$ 782,074</u>

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE 12- HEALTH AND WELFARE BENEFITS TRUST

The Organization has a self-funded medical, dental and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. Employees of the Organization, JA Worldwide, Inc. and employees of Junior Achievement USA chapters can participate in the Health and Welfare Plan. All assets and liabilities of the Health and Welfare Plan are held in the Junior Achievement USA Health and Welfare Benefits Trust (Benefits Trust). Accordingly, no balances or transactions of the Benefits Trust are recorded in the financial statements of the Organization.

NOTE 13- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through September 22, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.